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Demand and Price

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SUMMARY

The decline in prices of farm products and foods, which began last summer with the harvesting of record crops, continued in December. However, a seasonal strengthening in these prices is likely during the next month or two. Wholesale prices of both these groups have dropped 9 percent since mid-August. Prices of nonagricultural commodities, however, have been quite stable during that period.

These price movements and a recent slowing down in retail sales indicate a change from the inflationary situation earlier this year. Despite some softening in the demand for nondurable goods, including food, textiles and leather products, the total economic situation continues to show underlying strength. Industrial production remains near peak levels. The rates of motor vehicle output and steel production in early December were at record highs with no early decline in demand in prospect. Business expenditures for plant and equipment continue heavy. Expanding expenditures by Federal, State and local governments represent an increasingly important influence in the economy.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1947		1948			
		Year	Nov.	Aug.	Sept.	Oct.	Nov.
Industrial production <u>1/</u>	: 1935-39	:	:	:	:	:	:
Total.....	= 100	: 187	192	191	192	195	194
All manufactures.....	do.	: 194	199	197	199	202	200
Durable goods.....	do.	: 220	224	222	224	230	229
Nondurable goods.....	do.	: 172	179	176	178	179	177
Minerals.....	do.	: 149	155	159	156	158	160
Construction activity <u>1/</u>	: 1935-39	:	:	:	:	:	:
Contracts, total.....	= 100	: 274	336	350	336	321	329
Contracts, residential.....	do.	: 348	400	434	404	385	382
Wholesale prices <u>2/</u>	:	:	:	:	:	:	:
All commodities.....	: 1926=100	: 152	160	170	169	165	164
All commodities except	:	:	:	:	:	:	:
farm and food.....	do.	: 135	142	153	153	153	153
Farm products.....	do.	: 181	188	191	190	184	181
Food.....	do.	: 169	178	190	187	178	174
Prices received and paid by	: 1910-14	:	:	:	:	:	:
farmers <u>3/</u>	= 100	:	:	:	:	:	:
Prices received, all prod.	do.	: 278	287	293	290	277	271
Prices paid, int. & taxes.....	do.	: 231	241	251	250	249	247
Parity ratio.....	do.	: 120	119	117	116	111	110
Consumers' price <u>5/</u> <u>6/</u>	: 1935-39	:	:	:	:	:	:
Total.....	= 100	: 159	165	174	174	174	172
Food.....	do.	: 184	203	217	215	212	208
Nonfood.....	do.	: 140	144	151	152	152	152
Income	:	:	:	:	:	:	:
Nonagricultural payments <u>4/</u>	: Bil. dol.	: 174.9	181.4	191.6	192.5	192.8	
Income of industrial workers	: 1935-39	:	:	:	:	:	:
<u>3/</u>	= 100	: 332	352	377	379	377	
Factory payrolls <u>5/</u>	do.	: 353	376	399	406	406	
Weekly earnings of factory	:	:	:	:	:	:	:
workers <u>5/</u>	:	:	:	:	:	:	:
All manufacturing.....	Dollars	: 49.25	51.29	54.07	54.18	54.50	54.49
Durable goods.....	do.	: 52.45	54.86	58.23	57.95	59.13	58.58
Nondurable goods.....	do.	: 45.87	47.56	49.78	50.35	49.68	50.14
Employment	:	:	:	:	:	:	:
Total civilian <u>7/</u>	: Millions	: 58.0	58.6	61.2	60.3	60.1	59.9
Nonagricultural <u>7/</u>	do.	: 49.8	50.6	52.8	51.6	51.5	51.9
Agricultural <u>7/</u>	do.	: 8.3	8.0	8.4	8.7	8.6	8.0
Government finance (Fed.)	:	:	:	:	:	:	:
Income, cash operating.....	: Mil. dol.	: 3,909	3,345	3,227	4,713	2,319	
Outgo, cash operating.....	do.	: 3,431	2,530	3,005	3,275	2,835	
Net cash opr. income or outgo..	do.	: +478	+816	+221	+1,438	-516	

Annual data for the years 1929-47 appear on page 17 of the March 1948 issue of the Demand and Price Situation.

Sources: 1/ Federal Reserve Board, converted to 1935-39 base. 2/ U. S. Dept. of Labor, BIS. 3/ U. S. Dept. of Agriculture, BAE, to convert prices received and prices paid, interest and taxes, to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U. S. Dept. of Commerce revised figures employing new concepts, seasonally adjusted at annual rate. 5/ U. S. Dept. of Labor, BIS. 6/ Consumers' price index for moderate-income families in large cities. 7/ U. S. Dept. of Commerce, Bureau of the Census. 8/ U. S. Dept. of Treasury. Data for 1947 are on average monthly basis.

Commodity highlights

The decline in average prices of meat animals and meat this fall was a little greater than is usually associated with the increase in meat supply that occurred. Total meat production in 1949 will be about the same as in 1948 with more pork but less beef and lamb. Prices of manufactured dairy products steadied in November following the record decline which began in July. Turkey prices on December 15 were a record high. Market prices of corn advanced from mid-November to mid-December. A further increase is expected as the season advances and the quality of corn marketed improves. Another large winter wheat crop is indicated for 1949. Wheat prices in mid-December were about 3 cents above loan levels. Grower prices for most fruits in January and February are expected to average higher than in those months a year ago, largely a reflection of smaller supplies. Nevertheless, fruit prices will be substantially lower than in other postwar years. Mill consumption of cotton so far this season has been below that of a year ago and the lowest for the corresponding period since 1940. However, exports of cotton are substantially above last year's small exports. Burley tobacco was in strong demand during the pre-holiday sales period with average prices only slightly lower than last year's record.

OUTPUT AND EMPLOYMENT

Overall industrial output remained high in November. The Federal Reserve Board index of industrial production, seasonally adjusted was 194 (1935-39=100), 1 point below the peacetime high of October, and 2 points above November 1947. Both durable goods and nondurable goods output declined slightly.

Durable goods production declined slightly in November. This resulted from lower motor vehicle and machinery output, primarily due to automobile model changeovers and reduced demand for some household equipment items. The index was 229, 1 point below the peacetime high of October, but 5 points above November a year earlier. Daily average motor vehicle production, although relatively high, was 4 percent below the record rate of October. Steel activity continued to expand and daily average tonnage produced exceeded that of any month on record. Actual operations reached 100.4 percent of capacity compared with 100.0 percent in October. Additions to capacity since January 1 have not been incorporated in the capacity figures used in calculating present steel mill operating rates.

Output of nondurable goods also slipped somewhat as production in the textile and leather products industries declined. The index of nondurable goods production in November dropped to 177, two points below October and below November a year ago. Activity in other nondurable sectors was near previous levels.

Production of minerals increased in November as crude petroleum output recovered from the effects of the West Coast refinery shut-down and reached a new high. Bituminous coal output remained unchanged from October but was below November a year earlier.

Early indications for December point toward a continued high level of industrial activity. During the first week of the month motor vehicle output reached a new record daily average rate, while steel operations continued at the record levels of November.

Total civilian employment in November declined to 59.9 million persons, 200,000 fewer than in October, but 1.3 millions more than a year earlier. The drop reflected a seasonal decline in agriculture which more than offset seasonal increases in nonagricultural industries, notably trade. In November, 51.9 million persons were employed in nonagricultural industries, 400,000 more than in October and 1.3 millions greater than in November a year ago. The number unemployed increased to 1.8 millions in November, 200,000 above the previous month and November 1947.

INCOME AND RELATED FACTORS

The seasonally adjusted annual rate of personal income in October was 215.6 billion dollars, 0.7 billion above September and 15.6 billions above October a year earlier. Gains in non-wage income (proprietors' and rental income) accounted for most of the September to October increase.

Salary and wage receipts remained virtually unchanged in October. The seasonally adjusted annual rate was 134.9 billion dollars, 12.2 billions greater than October 1947. Slight increases in employment and payrolls in Government and trade offset a small decline in manufacturing payrolls.

Total retail sales in November were 3 percent above November 1947, although department store sales for the month were below those of a year ago for the first time in over a year. The Federal Reserve Board seasonally adjusted index of Department store sales fell to 287 (1935-39=100), 6 percent below October and 5 percent below November a year earlier. However, the trend in department store sales was upward in the first half of December and for the month as a whole, they are likely to be somewhat above December 1947.

GROSS NATIONAL PRODUCT

Third quarter estimates of the gross national product, which measures the market value of the nation's output of goods and services, continued to reflect the postwar rise in output and prices. According to the U. S. Department of Commerce, the gross national product increased to an annual rate of 256 billion dollars, about 5-1/2 billion larger than in the second quarter of this year and 28 billion greater than in the third quarter of 1947 (table 1).

The most significant developments in the third quarter of 1948 were: (1) consumer expenditures increased less than in the previous quarter and also much less than consumer incomes; (2) net foreign investment (net exports not financed by U. S. grants) was reduced markedly; (3) Government expenditures (including foreign aid) increased substantially; and (4) private capital expenditures continued to rise.

Table 1.- Gross National Product or Expenditures, U. S., 1947
and by quarters, third quarter 1947 -
third quarter 1948

Component	1947	Quarterly totals at seasonally adjusted annual rates				
		1947		1948		
		Third	Fourth	First	Second	Third
		Qtr.	Qtr.	Qtr.	Qtr.	Qtr.
		Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.
Gross national product	231.6	227.9	243.8	244.9	250.4	255.9
Personal consumption expenditures	164.7	165.6	171.1	172.1	176.5	178.5
Durable goods	21.0	21.1	22.1	21.2	22.6	23.6
Nondurable goods	96.5	96.8	100.2	101.2	103.2	102.9
Services	47.3	47.7	48.8	49.7	50.6	51.9
Gross private domestic investment	30.0	25.6	35.4	38.7	37.6	39.0
New construction	11.7	11.6	14.0	14.3	14.4	14.8
Residential nonfarm	5.3	5.2	7.0	7.0	6.9	7.1
Other	6.4	6.3	6.9	7.3	7.4	7.7
Producers' durable equipment	17.8	17.6	18.9	19.8	20.9	21.4
Change in business inventories	.6	3.5	2.5	4.6	2.3	2.8
Net foreign investment 1/	8.9	8.4	8.2	3.9	2.9	.7
Government purchases of goods and services 2/	28.0	28.3	29.0	30.1	33.5	37.7

1/ This component is approximately equal to the net exports of goods and services which were not financed by U. S. Government and private grants of foreign assets.

2/ Includes U. S. Government grants to foreign countries.

Preliminary reports for the fourth quarter of this year indicate that many of these trends continued. Although the rate of consumer expenditures slackened further, Government expenditures and private capital outlays continued to increase. Despite declining prices for farm products and foods the gross national product in the last quarter of 1948 is likely to exceed that of the third quarter.

The expansion in business activity in the second and third quarters of 1948 was in contrast to the hesitation of the first quarter. At that time some farm prices broke sharply, nonfarm prices leveled off temporarily and large inventories accumulated. The latter largely resulted from a smaller-than-anticipated increase in consumer expenditures from the fourth quarter of 1947 to the first of 1948. Expenditures in the first quarter of 1948 increased less than in any quarter since the war's end.

The gain during the third quarter resulted from price increases and a larger output. It continued to reflect the effect of developments which occurred earlier in the year such as the reduction in income taxes, the passage of the Foreign Assistance Act and the likelihood of increased military spending. A substantial increase in both employment and wage rates following the negotiation of "third round" wage increases also contributed.

Consumer expenditures continued to rise during the third quarter, although not as markedly as during the second quarter. The annual rate of these expenditures in the third quarter was 178.5 billion dollars, compared with 176.5 billions in the second quarter and 165.6 billions in the third quarter of 1947. The increase from the second to the third quarter resulted largely from a substantial increase in disposable income, for the most part in income of wage earners. The response of consumer expenditures to increases in disposable income, however, was much smaller than during the early postwar period, when deferred demands for all types of good were large. To a considerable extent these backlogs in consumer demands have been eliminated, except for some durable goods, especially automobiles. Nevertheless, record consumer incomes continue to generate high expenditures. Expenditures for durable goods continued to increase in the third quarter. Nondurable goods expenditures, on the other hand, levelled off during this period.

Gross private domestic investment increased 1.4 billion dollars from the second to the third quarter to an annual rate of 39 billion dollars, about the same as in the first quarter and 13.4 billions larger than a year earlier. New construction expenditures reached a record annual rate of 14.8 billion dollars. Purchases of producers' durable equipment totaled 21.4 billions, slightly above the second quarter. Business inventories were accumulated at an annual rate of 2.8 billions, .5 billions greater than during the second quarter, but 1.8 billions below the rate of the first quarter.

Anticipated expenditures by business for new plant and equipment for the fourth quarter of 1948, were indicated at about 5 billion dollars according to a survey made by the U. S. Department of Commerce. This would be 200 millions larger than actual expenditures in the third quarter. The survey also indicated that business expected to spend about 4.4 billion for plant and equipment during the first quarter of 1949. This would be down seasonally from the last quarter of 1948 but 1.2 billions greater than actual expenditures during the first quarter of 1948. Most of the increase over the first quarter of 1948, however, would reflect higher prices. It is likely that the physical volume of new plant and equipment will be slightly below that of the first quarter of 1948.

Net foreign investment, the value of net exports of goods and services not financed by U. S. Government grants declined 2.2 billion dollars (annual rate) from the second to the third quarter of 1948 to less than a billion dollars. This marked the fifth consecutive quarterly decline since the peak of more than 10 billions reached in the second quarter of 1947. Declines in net foreign investment since the first quarter of 1948, however, have been largely offset by increased exports of goods and services financed by United States Government grants. The latter are included in "Federal Government purchases of goods and services" because of the difference in the means of financing them.

Government expenditures from the second to the third quarter of 1948 rose 4 billions to an annual rate of 37.7 billion dollars. These expenditures increased slowly during most of 1947, principally because of increased purchases by state and local governments. Federal Government expenditures were relatively stable in 1947. Since the beginning of 1948, however, spending by the Federal Government has increased substantially, bringing total government expenditures up sharply. The increase in Federal Government expenditures to finance exports of goods and services in the second and third quarters of 1948 accounted for most of the increase in total Federal Government expenditures. Other factors contributing to the rise in Federal Government expenditures were increases in wage rates and larger construction expenditures. Until the third quarter, increase in the military program had not resulted in much of an increase in deliveries to the Federal Government and, therefore, had not yet been reflected in government purchases of goods and services. The program, however, did stimulate business activity. Business decisions were made in anticipation of the program and some work on defense orders was started. It will be a significant and growing influence in the economy, at least for the remainder of the fiscal year and probably beyond.

COMMODITY PRICES

The general level of commodity prices declined for the third consecutive month in November. The BLS index of wholesale prices fell from 165.0 (1926=100) in October to 163.9 in November, 3 percent below the August peak. However, the index was still about 3 percent above November a year ago. The slight decline from October reflected further weakness in prices of farm and food products. Prices of products other than farm and foods remained virtually unchanged.

Table 2.- Group indexes of wholesale prices, week ended
December 21, 1948, with comparisons 1/

(1926=100)

Group	Week	Week	Week	Week ended Dec. 21, 1948	
	ended	ended	ended	Percentage change from	
	Dec. 21, 1948	Nov. 23, 1948	Dec. 23, 1947	Week ended Nov. 23, 1948	Week ended Dec. 23, 1947
All commodities	163.8	164.9	163.2	- .7	+ .4
Farm products	177.6	177.6	196.3	.0	- 9.5
Foods	174.1	177.1	175.7	- 1.7	- .9
All other than farm and food	152.8	153.5	146.5	- .5	+ 4.3
Textile products	145.7	147.1	149.1	- 1.0	- 2.3
Fuel and lighting materials	136.9	136.8	126.5	2/	+ 8.2
Metals and products	173.8	173.8	151.8	0	+ 14.5
Building materials	201.8	203.3	192.3	.7	+ 4.9
All other	133.3	134.7	138.0	- 1.0	- 3.4

1/ New weekly wholesale price index comparable with the BLS monthly wholesale price index.

2/ Less than 1/2 percent increase.

Wholesale prices of foods fell further in December, almost 2 percent below late November levels. Prices of farm products, which have been declining since mid-year, averaged about the same in the latter part of December as a month previous. In the last 3 months, these groups have both declined about 9 percent. Prices of nonagricultural products declined slightly in December due to lower prices for textiles, hides and leather products, and for some building materials. The general price level of all commodities in late December was about the same as a year earlier. Prices of nonagricultural commodities were up about 4 percent from a year ago, but those of farm products and foods were down 10 percent and 1 percent respectively.

Average prices received by farmers on December 15, were again below those of a year earlier. They also averaged 1 percent below November as the BAE index of prices received by farmers fell to 268 (1909-14=100). Reversing the downward movement which began in April, prices received from all crops increased 2 percent from November 15 to December 15. However, this increase was not enough to offset a 3 percent decline in average prices received for livestock and livestock products. The meat animal, dairy product and poultry and egg groups were all lower on December 15 than a month earlier.

Average prices received by farmers generally were 11 percent below those of a year earlier. Prices received for all crops were down 19 percent; those for livestock and products, 5 percent. Prices received for virtually all groups of commodities were below those of a year ago, with prices for food and feed grains, oil-bearing crops and truck crops off sharply. Tobacco and fruits were the only groups for which farmers received prices higher than those on December 15, 1947.

Table 3.- Group indexes of prices received by farmers,
December 15, 1948, with comparisons
(August 1909-July 1914=100)

Group	Dec. 15, 1948	Nov. 15, 1948	Dec. 15, 1947	December 15, 1948	
				Percentage change from Nov. 15, 1948	Percentage change from Dec. 15, 1947
Food grains	236	234	318	+1	-26
Feed grains and hay	184	181	305	+2	-40
Cotton	239	246	275	-3	-13
Tobacco	415	412	377	+1	+10
Oil-bearing crops	283	283	367	0	-23
Fruit	164	157	149	+4	+10
Truck crops	209	186	294	+12	-29
All crops	228	224	281	+2	-19
Meat animals	339	351	352	-3	-4
Dairy products	283	284	311	1/	-9
Poultry and eggs	260	272	262	-4	-1
Livestock and products	305	313	320	-3	-5
Crops and livestock and products	268	271	301	-1	-11

1/ Less than 1/2 percent decrease.

The BAE index of prices paid by farmers, interest and taxes on December 15 remained at the November figure of 247 (1910-14=100), 2 points above December 15, 1947. Higher prices of feed offset a further decline in prices of food. Since average prices received by farmers declined slightly, the parity ratio (the index of prices received by the index of prices paid, interest and taxes) declined to 109 in mid-December. This was 1 point below mid-November, 14 points below mid-December a year earlier and the lowest since September 1942.

In November, the BLS index of urban consumers' prices declined for the second month in succession from 173.6 (1935-39=100) to 172.2. The index was still 6 percent above November 1947. Slightly increasing nonfood prices were not sufficient to offset a 2 percent decline in retail food prices.

FARM INCOME

Farmers received around 31.0 billion dollars from marketings in 1948, 3 percent more than in 1947. Cash receipts and farmers' gross income for 1948 probably reached new highs, but production expenses increased even more, and farmers' realized net income was down somewhat from 1947.

Cash receipts rose in 1948, reflecting slight increases in both prices and production. Prices of livestock and products were 9 percent higher than in 1947, but production decreased 4 percent; whereas prices of crops decreased 4 percent and production rose 10 percent.

Receipts from livestock and products in 1948 were about 17.4 billion dollars, 6 percent more than in 1947. A large part of this gain was due to dairy products. Total milk production was slightly below the year before, but prices of dairy products averaged 10 percent higher. Receipts from meat animals and poultry and eggs also were a little above 1947 because of higher prices.

Farmers received about 13.6 billion dollars from the sale of crops in 1948, slightly less than in 1947. Receipts from corn were down. Marketings of corn were much smaller in the first 9 months of the year than in the same period of 1947 and prices have been lower than a year earlier since August. Higher prices for tobacco did not quite offset lower marketings, and cash receipts were down a little. Receipts from fruits were below the year before because of lower average prices in the first half of the year, and reduced marketings in the latter part. Loans on wheat and cotton were much greater on the 1948 crops than in 1947, and cash receipts from sales and loans combined were above 1947.

In December, farmers received about 2.7 billion dollars from farm marketings, slightly less than they received in the same month of 1947. They received about 1.4 billion dollars from livestock and products, 10 percent below the year before. Receipts from meat animals dropped 15 percent from December 1947, with smaller marketings of all types of meat animals, and hog prices averaging about 16 percent lower. Receipts from dairy products were down a little.

Receipts from crops in December, including loans were about 1.3 billion dollars, 7 percent above December 1947. Increases in total receipts from cotton and tobacco were partially offset by lower receipts from corn and vegetables. Marketings of corn and vegetables were greater than in December 1947, but prices were down sharply.

LIVESTOCK AND MEAT

More hogs will be raised and slaughtered and more pork produced in 1949 than in 1948, according to farmers' reports of pigs saved this fall and of intentions for farrowings next spring. An estimated 33.0 million pigs were saved from the fall pig crop of June through November, 8 percent more than in the fall of 1947. If farmers realize their December 1 plans, 9.1 million sows will farrow from December through May 1949, 14 percent more than last spring's crop. If the average size of litter is the same as in 1937-46, 56.5 million pigs will be saved. Such a crop would be 10 percent larger than in 1948, when litters were 3 percent larger than average.

The fall pig crop was considerably larger than fall crops of any of the past 4 years except 1945, and a 56.5 million pig crop next spring would be the biggest spring crop since 1943. Both, however, are much smaller than the pig crops of 1942 and 1943, which were encouraged by wartime programs.

The fall crop nearly reached the USDA goal of an increase of 10 percent in pigs saved. A spring crop of 56.5 millions would be short by 6 percent of the spring goal of 60 million pigs saved. However, if the average size of litter is approximately that of last spring, the goal for spring pigs will be more nearly attained.

These increases in hog production reflect the very large corn crop of last fall, and a favorable hog-corn price ratio. Corn prices in mid-December averaged 21 cents below the average loan value of \$1.44 per bushel.

By mid-November, prices of hogs had dropped as much as they usually do from September to December. They declined again the first part of December and at mid-month were considerably lower than in December 1947 when farmers' prices generally were rising. Cattle prices also declined slightly from mid-November to mid-December. At central markets top grades of cattle were priced lower in mid-December than a year earlier but lower grades remained a little higher.

The decline in average prices of meat animals and meat this fall was partly a response to the seasonal rise in meat output. However, it was a little greater than usual in relation to the increase in the meat supply this fall. This indicates that the demand for meat has receded somewhat from its very high level in mid-1948. However, it has remained above its prewar relationship to consumer incomes.

Total meat production in 1949 will be about the same as that in 1948. More pork may be just about offset by less beef and lamb. Total beef output will be down from 1948 because of reduced cattle numbers, but more of the beef will be of the better grades. Cattle feeding now promises to be greater this winter than it was last year, as 39 percent more cattle moved to feedlots in 11 Corn Belt States during November 1948 than in the same month a year before.

DAIRY PRODUCTS

Prices of manufactured dairy products have been steady since early November, after a record decline in the 5 months ending with October. In late December, prices of all manufactured items were lower than earlier in 1948. Compared with late December 1947, however, wholesale prices of butter, cheese, and dry whole milk were 10 to 25 percent lower and prices of evaporated milk were about the same. Average prices received by farmers for all milk products in mid-December were 6 percent lower than a year earlier.

Retail prices of most dairy products also declined early this fall, but as usual the decline lagged behind that at wholesale. As a result, the margin between prices to farmers and equivalent retail values widened. This increase in margin was greatest for evaporated milk and smallest for butter. For fluid milk the margin widened only slightly.

Total production of manufactured dairy products in the next few months will be at least as large as a year earlier and soon will be increasing seasonally. Compared with a year earlier withdrawals of butter and cheese from storage increased during December but storage stocks on January 1 (in terms of milk equivalent) are expected to be 1 billion pounds greater than a year earlier. Total stocks will be equivalent to 3 percent of estimated milk production in 1949 compared with 2 percent at the beginning of 1948. Ordinarily, these larger supplies would tend to accentuate seasonal price declines in the first part of 1949. However, this tendency will be offset, at least in part, by continued large consumer incomes and seasonally rising prices for meats. Prices for butter will continue to be influenced by fluctuations in margarine supplies and prices.

Prices of milk for fluid use have been fairly steady in the past few months in contrast to rather sharp price increases at this time last year. On December 1, retail prices for bottled milk were 8 percent higher than a year earlier. Consumption has been nearly as great as in 1947.

A high rate of grain feeding has helped keep milk output per cow at a record. But farmers have continued to reduce dairy herds since dairy animals could be sold for beef at high prices and the relation between prices of dairy products and prices of hogs was almost the lowest on record. This trend is likely to continue well into 1949 and will be most apparent in manufacturing milk areas. In specialized dairy sections of fluid milk areas, cow numbers will hold up better, or possibly increase, since dairy product-feed price relationships will be very favorable.

POULTRY AND EGGS

Egg prices declined substantially more than seasonally from November 15 to December 15. At 52.8 cents per dozen, the mid-December farm price was 5.5 cents below the November seasonal peak, and 5.9 cents below a year earlier. Wholesale prices of eggs, however, were slightly higher by late December than at mid-month. In 1947, egg prices rose contraseasonally between November 15 and December 15.

November egg production was 7 percent larger than a year earlier and the largest on record for the month. With continued favorable weather, December production also may reach a record. Withdrawals of shell eggs from storage in November amounted to 1.2 million cases, 20 percent larger than out-movement a year earlier. Shell egg stocks remaining in storage December 1 were the second lowest on record.

Since the rate of lay per bird was a record in each month of 1948, except in January-March, total egg production in 1948 was about as large as in 1947. If the rate of lay continues at record levels during the first half of 1949, egg production may be about as large as in the same period of 1948, even though the number of potential layers on farms January 1, 1949 is likely to be slightly smaller than a year earlier.

Turkey prices set a new record in mid-December, when the farm price rose to 51.6 cents per pound, 5.5 cents higher than on November 15 and 12.6 cents above last year. With prices at record levels, the into-storage movement from October 1 to December 1 was only two-thirds as large as in the same period last year, despite a record margin received for turkeys stored last fall for marketing earlier this year. The smaller into-storage movement will mean smaller turkey supplies and probably continued high prices for at least the first half of 1949.

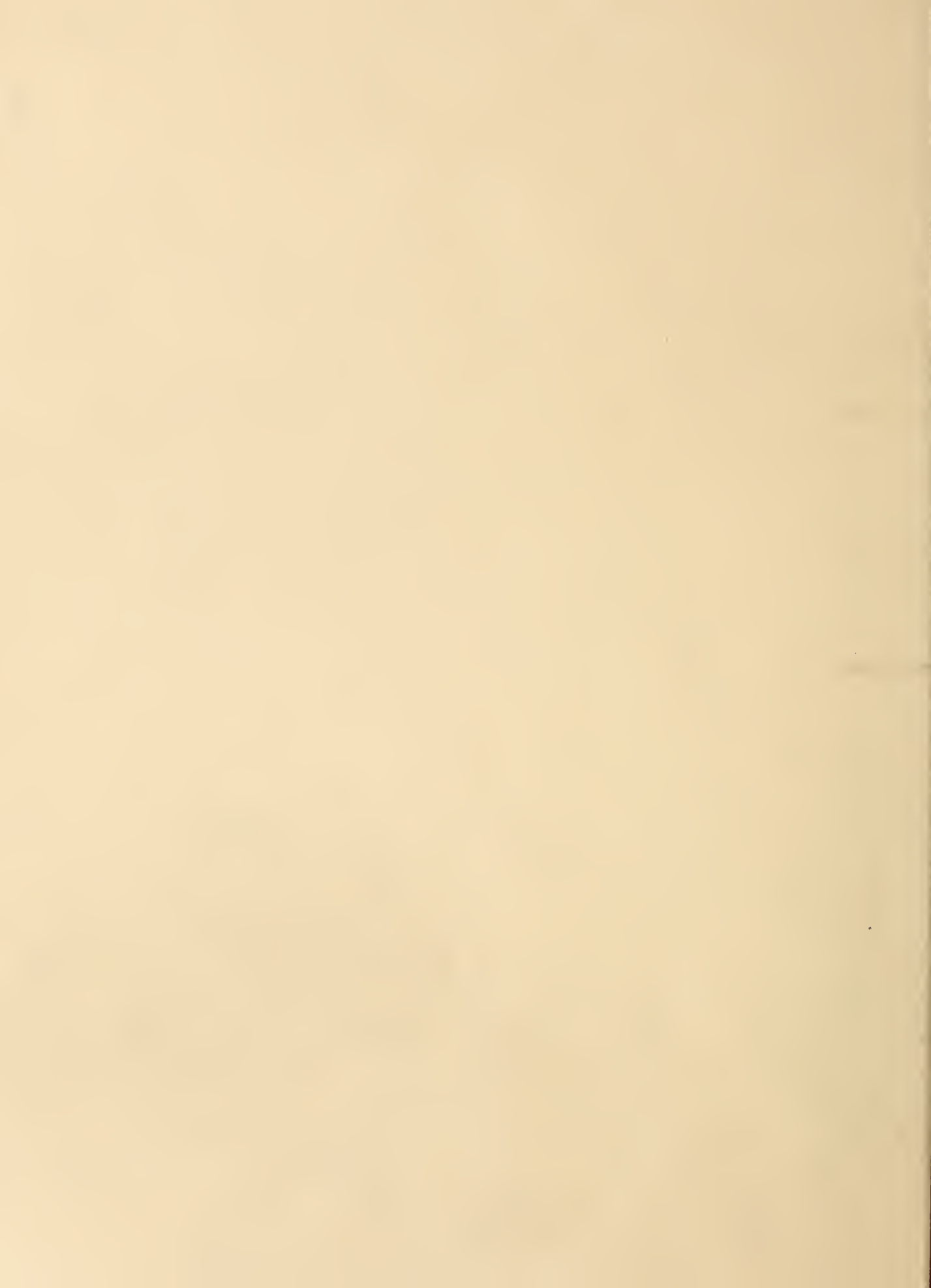
Despite substantial increases in marketings of commercial broilers during the last quarter of 1948 over the same period of 1947, total chicken meat supplies continued well below the last quarter of 1947. The December 15 farm price of 30.7 cents per pound was 5.5 cents above last year and 1.4 cents above November 15. Cold-storage holdings of chickens on December 1 were about half as large as a year earlier and only a few million pounds above November 1. However, with further expansion of commercial broiler production in prospect in the first half of 1949, the relative reduction in total chicken supplies is not likely to be as great as for turkeys.

FATS, OILS AND OILSEEDS

The index of wholesale prices of 27 major fats and oils declined slightly in December to 225 (1935-39=100) 48 points below the October 1947-September 1948 average. Prices of most fats and oils declined about 2 cents per pound (10 to 15 percent) in mid-December, reflecting the fall peak in output of vegetable oils and lard. The price of butter, however, was slightly higher in December than a month earlier.

An increase in lard and grease production over the level of a year earlier is likely, beginning in late spring. An increase of 8 percent is estimated in the 1948 fall pig crop this year compared with a year earlier. The major effect of this increase on lard and grease production is expected to come in the summer months of 1949. Also, next fall and winter lard and grease production probably will be substantially above the present level, because of the 10 percent increase in the 1949 spring pig crop indicated by the number of sows that are expected to farrow.

Despite a decline of 3 percent in the 1948 spring pig crop, more lard was produced in October-December 1948 than a year earlier. An unusually large percentage of the spring pig crop was slaughtered in



October-December 1948, and the yield of lard per animal slaughtered was unusually high for the fourth quarter. The number of hogs slaughtered will decline substantially in January-March 1949 from the preceding quarter, but lard output probably will decline only moderately because of a seasonal increase in the yield of lard per hog.

Total output of cottonseed, soybean, corn, and peanut oils in the 12 months beginning October 1948 is likely to be about 400 million pounds larger than the production of 3.2 billion pounds a year earlier. In 1947-48, production of these oils was supplemented by drawing upon stocks for more than 150 million pounds. These stocks on October 1, 1948, totaled 243 million pounds, the smallest since 1926. About 250 million pounds of the increase in 1948-49 production of the four oils is available for an increase in domestic consumption, an increase in exports, and rebuilding the carry-over. Exports of peanuts and soybeans for crushing abroad will total substantially more in 1948-49 than a year earlier.

CORN AND OTHER FEED

Market prices of corn advanced around 5 to 10 cents per bushel from early November to late December. Some further increase is expected as the season advances and the quality of corn marketed improves. Prices of most other feeds have advanced from the low levels reached in September and October, with most pronounced gains in the prices of protein feeds. Compared with a year earlier, the index of prices received for feed grains in mid-December was 45 percent lower and the index of wholesale prices of the 10 high-protein feeds was down 21 percent. The relation between feed prices and livestock prices is much more favorable to livestock producers this winter than last and is expected to continue favorable, at least through the first half of 1949.

The sale of corn by farmers has been unusually heavy so far this season. Receipts at principal markets in November totaled 63 million bushels, by far the largest on record for that month. Market receipts of oats and barley, on the other hand, from July through December 1948, were about one-sixth less than last. The large sales of corn this year will provide ample corn for domestic food and industrial uses, for livestock feed in deficit areas, and for export. From October through December about 20 million bushels of corn had been purchased by the Department of Agriculture for export.

The total supply of all feed concentrates, including feed grains, byproduct feeds, and wheat and rye for feed, for the 1948-49 season is estimated to be about 168 million tons, a near-record and 25 percent larger than the small 1947-48 supply. Because of the large supplies of feed grains, wheat feeding is expected to be reduced this season and probably will be the smallest since prewar. Much of the increase in the feed supply from a year ago is in corn, which makes up a much larger than average percentage of the total feed concentrate supply.

WHEAT

Wheat prices by December 30 had declined to about 4 cents above loan levels at Minneapolis and Kansas City, 6 cents lower than on December 6 when prices were about 10 cents above the loan. Growers sold wheat more freely in early December since the difference between the loan and the market price covered charges up to that time. As prices declined selling fell off. Wheat sold was generally other than that held as collateral for CCC loans.

An announcement on December 10 which established general price floors for CCC sales in our domestic market does not apply to wheat in the current marketing year because wheat is being purchased by the CCC for export rather than held for domestic sale. The December 10 announcement stated that domestic sales of CCC owned or controlled farm commodities, with certain exceptions, will be made at not less than the lowest of the following: (1) a price that will reimburse CCC for its costs; (2) 90 percent of the parity price; or (3) a price half way between the support price and parity. Action on minimum sales prices for 1949 was taken because present restrictions (section 2 of the Act of April 12, 1945) which provide for sales not less than parity or comparable price, expire on December 31, 1948, and the restrictions imposed by the Agricultural Act of 1948 are not mandatory until 1950. The announced policy will eliminate the need for any change on January 1, 1950, when compliance with section 202(a) becomes mandatory.

CCC stocks on July 1, 1948 plus purchases through December 30 totaled 240.9 million bushels of wheat and 34.8 million bushels of wheat as flour. This is sufficient to cover the shipping program for wheat into February 1949 and flour exports through January. To cover allocations for the July 1948-March 1949 period, approximately 40 million additional bushels of wheat and about 6 million bushels of wheat as flour will be needed. Allocations to the commercial trade for the 9 months total about 20 million of wheat and 73 million of flour in terms of grain, of which very little more wheat and about 15 million of flour in terms of wheat need to be purchased.

A winter wheat crop of about 965 million bushels was forecast as of December 1, based upon reported condition on that date, an appraisal of soil moisture condition, and other factors affecting yields. Normal weather for the remainder of the crop season was assumed. If spring wheat acreage is increased the same as winter wheat (5-1/2 percent) and if spring wheat yields are about average (15.1 bushels), a spring crop of about 310 million bushels would be produced. This added to the fall-sown crop would provide a total crop of about 1,275 million bushels. With domestic disappearance of 700-750 million bushels, 525-575 million bushels would be available for exports in 1949-50 and addition to carry-over July 1, 1950. Exports in 1949-50 are expected to be less than the 450-500 million bushels estimated for 1948-49.

FRUIT

Growers prices for most fruits in January and February are expected to be slightly to moderately higher than a year earlier, although much lower than the war or early postwar peaks. Mainly because supplies are substantially smaller than a year ago, prices for apples and pears probably

will rise about seasonally to levels moderately higher than in January and February 1948. Market movement of the small 1948 crops has been active this fall, with the result that cold-storage holdings of each of these fruits on December 1, 1948 were about 40 percent smaller than a year earlier.

Stimulated by Christmas demand, terminal market auction prices for oranges and grapefruit advanced in early December to levels slightly higher than a year earlier. Post-holiday declines probably will be smaller than usual. Prices at both grower and terminal market levels during January and February are likely to be a little higher than in these two months of 1948. Supporting this stronger market prospect are the following factors: high quality fruit for both fresh market use and processing; relatively low stocks of canned citrus juices at the beginning of the season; heavy early season movement of Florida oranges and grapefruit to processors; increased demand for oranges for manufacture into frozen concentrated juices; increased exports to Canada; and smaller supplies of such competitive fruits as apples and pears. The new grapefruit crop is nearly a tenth smaller than the 1947-48 crop, and the early and mid-season orange crop is about as large as that of 1947-48.

COMMERCIAL TRUCK CROPS

For Fresh Market

Prices which farmers will receive for truck crops produced for fresh market shipment in January and February probably will not average as high as those of a year earlier. While the total quantity which will be produced for harvest this winter is expected to be near that of last winter and substantially above average, prospects vary considerably by individual crops. Kale, carrots, escarole, and spinach promise to be especially plentiful this winter compared to last, and supplies of cabbage, cauliflower, celery, and lettuce will be substantially above the long-time average though smaller than last winter. In addition to these currently harvested supplies, there probably will be larger storage stocks of onions, cabbage, and carrots than a year earlier.

For Processing

Commercial canners and freezers in some producing areas already are beginning to shape up contracts with growers for processing acreage in 1949. The consumer demand for canned and frozen vegetables is expected to continue strong well into 1949 and stocks may be somewhat lower at the beginning of the 1949-50 pack year. This situation should encourage processors to offer growers prices which compare favorably with those growers received for 1948 production.

POTATOES AND SWEETPOTATOES

In January and February, prices received by farmers for potatoes probably will rise slightly and seasonally. Through December 13, nearly 76 million bushels of 1948 crop potatoes had been removed from normal food supply channels by Government purchase and diversion operations, and such

operations were continuing at a heavy rate. Thus the huge crop of 446 million bushels is fast being reduced to the approximate size of the non-surplus portion of the 1947 crop. With the crop harvested and in storage, growers are now in a position to wait for the increases in the price-support schedule which calls for a 10 cent per hundredweight rise from December to January, and a five cent increase in each of the succeeding 2 months.

Other factors strengthening the outlook for potato prices are the Marketing Agreement orders in effect for 12 important States and the new United States-Canada agreement limiting exports of Canadian potatoes to the United States. The Marketing Agreements will help keep lower grade potatoes out of commercial food channels. Under the United States-Canada agreement, no more Canadian table stock potatoes are to move to the United States this season and the program will seek to channel exports of certified seed potatoes to the United States into normal seed outlets only.

Shipping-point prices for Puerto Rican type sweetpotatoes strengthened in early December to levels moderately above those of a year earlier. Prices received by growers for sweetpotatoes in January and February are expected to rise somewhat more than seasonally and may be slightly higher than in the same months a year earlier.

DRY EDIBLE BEANS AND PEAS

Prices received by farmers for dry edible beans in the next few months are expected to rise only slightly from the seasonal low point this December. The near-record 1948 crop was of unusually good quality, which means that less than the usual percentage will be removed in the clean-out of culls and discolored beans. The total quantity available will supply all anticipated commercial demand and in addition will permit building up commercial stocks considerably above the low levels of recent years.

Prices received by farmers for dry beans this December were at about support levels and more than one-third below those of a year earlier.

As announced December 3, farm-stored as well as warehouse-stored dry edible beans are eligible for Government loans at the full support price. Under amended requirements, to be eligible for loans at the full support level, the beans must be U. S. No. 2 grade or better, packed in suitable 100-pound bags, and stored in structures that meet requirements for safe storage.

Although some price-support purchases of dry field peas have been made, the dry pea crop as a whole is little more than half as large as the 1947 crop, and will not be particularly hard to move at support prices.

COTTON

Spot cotton prices advanced slightly in late November, and for December, Middling 15/16" averaged almost 1-1/3 cents per pound above the ten spot market equivalent loan rate of 30.87 cents and about 1-1/2 cents above the

low point reached in late August. The mid-December farm price, however, averaged 29.63 cents per pound, 97 percent of parity and the lowest price since mid-November 1946.

So far this season farmers have not sold cotton in any large volume. Entries into the loan program, on the other hand, have been high and for the season through December 23 totaled 3,789,000 bales, or about 25 percent of the ginnings. Last year at this time, the entries into the loan at roughly 200,000 bales were less than 2 percent of the ginnings.

Mill consumption of cotton has declined substantially during the last two months. October consumption, at 696,000 bales was the lowest for the month since 1939, while November at 685,000 bales was the lowest for the month since 1938. From August through November, mill consumption totaled 2,849,000 bales, 6 percent below the same period last year and the lowest for these four months since 1940.

Exports, however, are substantially ahead of last year and for August through October, totaled 532,000 bales compared with 294,000 a year ago. Consequently, total disappearance for these three months at 2,696,000 bales was 5 percent higher than a year ago.

WOOL

World demand for apparel wool apparently has continued to strengthen. At the close of the London sales on December 3, prices for most grades had advanced above the records established at the final sales of last season. 64's-70's good medium fleeces were quoted at \$2.00 per pound, clean basis, compared with the previous high of \$1.97 on July 23 and the low of the current season of \$1.85 at the close of sales on October 1. 56's fine crossbred fleeces advanced from \$1.01 per pound, clean basis, on July 23 to \$1.18 on December 3.

The sharp rise in prices abroad has been reflected in the price changes in domestic markets. For the week ending December 17, Australian 64's-70's good topmaking wool was quoted at \$1.93 per pound, clean basis, in bond at Boston, 31 cents above early December. Domestic territory fine staple combing wool was quoted at \$1.80 per pound, scoured basis, on December 17 compared with \$1.75 on November 26. Prices for the lower grades of domestic wool remained unchanged.

During the first ten months of 1948, imports for consumption of dutiable wool totaled 377 million pounds, actual weight basis. This was about 5 percent less than the quantity imported during the same period last year. Imports of 303 million pounds of duty-free wool, however, were about 90 percent greater than in 1947.

Consumption of apparel wool by domestic mills during January-October totaled 419 million pounds, scoured basis. On a weekly basis, the average rate of consumption during this period was about 4 percent below the rate for

the corresponding period in 1947. Domestic mills consumed 172 million pounds, scoured basis, of carpet wools during this same period, 23 percent, on a weekly rate basis, greater than during 1947.

TOBACCO

Burley tobacco, the second most important cigarette tobacco, was in strong demand during the pre-holiday sales period. The average price for gross sales of 370 million pounds through December 21 was 47.8 cents per pound, slightly lower than last year's record of 48.9 cents during the same period. When auctions reopen January 10, a firm demand is expected to continue. Cigarette production set a new record of about 385 billion in 1948--15 billion above 1947--and is expected to continue high in 1949. Domestic disappearance of Burley also set a new record, but exports fell sharply in the year ending September 30. Burley supplies for 1948-49 are slightly above those for 1947-48. Farm acreage allotments for 1949 will total about 469,000 acres compared with 464,000 acres allotted in 1948.

The average price of auction sales of Virginia fire-cured tobacco, type 21, through December 16 was 31.8 cents per pound, 16 percent higher than the average for the same period a year ago. The support prices for the 1949 crop are 5 percent higher than that for last season. Both domestic use and exports of type 21 were higher in the 1947-48 marketing year than in 1946-47. Snuff manufacture, a major outlet for fire-cured tobacco, was close to 41 million pounds in 1948 compared with 39 million in 1947. Production of snuff in 1949 is expected to be about the same as 1948. Kentucky-Tennessee fire-cured tobacco, types 22-23, auctions begin in early January. Stocks of these types are large, but the 1948 production was smaller than the previous year. Total supplies for 1948-49 are higher than a year ago.

Auction sales of dark air-cured tobacco began in early December. Average prices for types 35 and 37 during the pre-holiday period were higher than those of the same period of the previous year. Average prices for type 36 were only slightly above those for the pre-holiday period a year ago and were held down by the larger percentage of lower quality leaf. The support price is 5 percent higher than last season. Approximately 25 percent of the 1948 crop dark air-cured tobacco marketed through December 22 was placed under government loan. The 1948 production of chewing tobacco, which uses substantial quantities of dark air-cured, is estimated to be slightly below the 98 1/2 million pounds produced in 1947.

Some sales of cigar binder in the Connecticut Valley occurred in early December at prices close to last season's average. United States cigar consumption in 1948 is estimated at 5,725 million compared with 5,631 million in 1947.

The flue-cured auctions were finished by December 10. The average price for gross sales (including resales) at auctions was 49.4 cents per pound, 20 percent higher than last season and 3 percent above the previous record set for the 1946 crop.

United States exports of unmanufactured tobacco during 1948 are now estimated at 405 million pounds (declared weight), which is 20 percent below 1947 and 7 percent less than the 1934-38 average. Authorizations during 1948 by ECA for tobacco purchases in the United States totaled about 104 million dollars for approximately 235 million pounds. Tobacco exports during 1949 are expected to be moderately higher than 1948 with financial assistance through ECA, an important factor.

SUGAR

On December 23 the Secretary of Agriculture announced a domestic sugar consumption estimate of 7,250 thousand short tons for the calendar year 1949, in accordance with the provisions of the Sugar Act of 1948. This estimate of sugar consumption requirements represents the amount of sugar from the mainland beet and cane areas that may be marketed, and the amount that may be brought in from offshore areas, under the quota system as set up by the Sugar Act of 1948.

On December 29, the Secretary announced the 1949 quotas for all areas producing for the United States market. Cuba was allotted an import quota of 2,091,500 tons, which compares with the final quota for 1948 of 2,895,962 tons. A deficit of 125 thousand tons was declared for the Philippines, leaving an adjusted quota of 857 thousand tons. No deficits were declared for the domestic cane and beet areas, their basic quotas remaining as established in the Sugar Act of 1948. The quota for all foreign countries, except the Philippines, was established at 33,450 tons.

The Department of Agriculture announced its first estimate of world sugar production for the 1948-49 season as 37,694 thousand tons. This would be the largest world crop on record, 11 percent more than that produced in 1947-48, and 9 percent more than the 5-year, 1935-39 average. The crop in those areas producing for the United States market was estimated at 10,889 thousand tons, about 4 percent less than in 1947-48, but almost 32 percent higher than the 1935-39 average. The small decrease from last year was caused by reductions from the 1947-48 record crops in Cuba and the mainland beet area.

In its annual summary the Crop Reporting Board estimated a production of 1,850 thousand tons of raw sugar from the 1948-49 mainland cane and beet sugar crops. This is about 16 percent less than the crop in 1947-48, and about 6 percent less than the 10-year average production in 1937-46. The production of beet sugar was estimated at 1,392 thousand tons, about 24 percent less than the previous year, and that of cane sugar, 458 thousand tons, about 22 percent more than the previous year.

There has been considerable fluctuation in prices, both in the spot and futures markets, in the past month. After declaration of the consumption estimate the spot price of raw sugar rose from 5.60 to 5.65 cents per pound, and after the quota announcement it rose again to 5.70 cents. This rise was reflected in refined prices, when on December 31 most of the refineries announced a rise in the basic wholesale price from 7.75 to 8.00 cents to go into effect the first week in January. The world price of raw sugar, f.a.s. Havana, has, however, declined steadily from 4.30 cents in late November to 4.00 cents by the end of December.

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